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Steel & Correa: Give Californians a single tax agency

By MICHELLE STEEL and Sen. LOU CORREA/ Steel, a Republican, represents Orange County on the state Board of Equalization; Democratic state Sen. Correa represents Santa Ana, Anaheim, Garden Grove and Buena Park.

"The state's current organizational structure lacks sense and cohesion," Gov. Jerry Brown said in his January budget plan. "Similar functions are scattered throughout several agencies, and some departments and programs are duplicative."

California's multiple tax agencies, each with different rules and regulations, and different interpretations of tax law, are just one example of governmental incoherence.

It is time to consolidate California's tax agencies to reduce waste, increase transparency and improve service for California taxpayers.



Today, many California business owners have to register and pay taxes to three separate tax agencies. The state Board of Equalization administers the sales tax and 27 other taxes and fees – it is also the appellate body for most state taxes. The Franchise Tax Board is responsible for corporation and income taxes. And the Employment Development Department administers employment taxes.

In his budget, Gov. Brown called for the consolidation of the Franchise Tax Board and the Employment Development Department into a new Department of Revenue. But he left out the Board of Equalization.

The BOE is California's most comprehensive tax agency, and the only elected tax agency in the nation. Four of its five members are elected by district, each one representing a quarter of the state. The fifth member, the state Controller, is elected statewide. As elected officials, the BOE's five members are directly accountable to voters for the way they administer tax laws.

Given its wide range of tax knowledge, as well as its elected leadership, we believe that the BOE is the ideal agency under which to consolidate the state's multiple tax bureaucracies. Senate Bill 1554, co-authored by Sen. Lou Correa and Thousand Oaks Republican Sen. Tony Strickland, will do just that.

Combining the state's largest tax agencies under the BOE will reduce confusion for taxpayers, who will only have to work with one tax agency for their business, employment, personal income and corporate taxes. It will cut down on the paperwork, forms and publications that taxpayers have to study and file. And it will ensure that tax agencies take a single, consistent, position on the meaning of state tax laws.

Consolidation will also improve tax compliance. The underground economy takes a heavy toll on California businesses and state revenue. In a high-tax and high-regulation state such as California, it becomes attractive to operate businesses outside the law in order to obtain a competitive advantage.

For generally law-abiding citizens, this could be as simple as paying an employee under the table to avoid steep employment taxes and burdensome regulations. For criminal organizations, the underground economy is a lucrative and dangerous environment for human trafficking, smuggling and large-scale tax evasion.

Tax agencies do their best to share information about tax evasion and other illegal activity. Legislation currently working its way through the Capitol would create a new bureaucracy to oversee information sharing. By putting California's three main tax agencies under one roof, all tax information will be easily accessible, and there won't be a need for complicated partnerships – or new bureaucracies to oversee them.

This consolidation idea isn't new. Since 1989, legislators from both parties have introduced multiple bills to consolidate tax agencies under the Board of Equalization. In 1994, Assembly Bill 15 became the only legislation relating to tax agency consolidation to reach a governor's desk. The bill was vetoed, but before that, it was passed with overwhelming bipartisan support.

Gov. Brown is right to say that government must be restructured to reduce waste and increase efficiency. His proposal to consolidate tax agencies should be celebrated as a good first step. But it does not go far enough.

SB1554 will achieve the goals of increased efficiency and better tax administration more thoroughly than the governor's plan will by including the state's three largest tax agencies. And it will give Californians the power to hold tax collectors accountable at the ballot box.